Presentation by Habitat for Humanity Affiliates on December 18, 2015

Monroe County Affordable Housing Advisory Committee

Topic: Funding Strategies for Affordable Housing

Sub topic: HFH Affordable housing projects in Monroe County and the funding strategies utilized (both successes and limitations with existing funding sources) to develop affordable housing

There are three Habitat for Humanity affiliates (HFH) in the Florida Keys; Upper, Middle and Lower; each is considered a small affiliate and they were established as long ago as 20 years. As small affiliates, their business model is geared to building 3 to 4 homes a year. Their role as an affordable housing provider is unique. They build the home, sell the home and create and service the mortgage. They are a self-contained housing partner since they select the families (while targeting the 60 to 80 % AMI) qualify them for the loan (abiding by all Federal laws), originate the loan and service the loan (in accord with all Fair Housing and mortgage regulations). Also, HFH is engaged in a 30 year relationship with each home, its family and its financial wellbeing, monitoring its compliance and certifying the same to its government and financial partners.

Habitat selects families who will succeed as home owners and ensures that their housing cost is not a cost burden. The average home payment (all expenses) of our three affiliates is $1100 a month. Habitat home owners do not have a cost burden. The newly constructed Habitat homes offer real long term affordability in our volatile insurance market since they meet all new codes and are elevated, thus receiving the lowest rates and all of the mitigation discounts available.

Each affiliate is governed by local volunteers serving as a Board of Directors. Each affiliate must remain in good standing with HFHI, filing quarterly reports, providing an annual audit and abiding by its policies which conform to applicable lending and fair housing laws.

Finally, HFH has a right of first refusal built into its ownership or lease. If the sale does not involve Habitat in this way, the sale is still monitored for compliance, affordability and the selling price reported to the Land Authority. Purchasers are also vetted with Monroe County staff where required.

The end result is that although Habitat is a smaller piece in the affordable housing pie of solutions for Monroe County, it is locally governed, committed to the long term and effectively protects the public and private subsidies it receives. The Habitat model provides a quality, affordable home to residents who earn their living working in Monroe County.

When the County acquires land for Habitat projects with the help of the Land Authority, it is able to define its affordability principles, resale formulas, compliance monitoring and reporting through the terms and definitions of the lease(s) it uses to convey the right to build to Habitat.

Monroe County has partnered with each of the HFH affiliates. The primary help has been the MCLA acquiring land. This approach allows Habitat families to purchase the improvements using a Master Lease while the land remains deed restricted or in the County's name. There is no chance for this public subsidy to be lost or disappear under this model. The type of land acquired for Habitat's development ranges from single family parcels to suburban commercial parcels. Each of the three Habitats is in a different phase of the development cycle in 2015-16. The Upper Keys needs more land to build on soon. The Middle Keys has only one lot left to build on in 2016 and will need land for 2017 and the future. The Lower Keys is preparing to build 10 units on one SC parcel on Big Coppitt and has land enough for 16 more homes on Cudjoe.

The importance of this partnering cannot be overstated. The committee should endorse this proven model for generating local funds that creates a public subsidy used by a partner who delivers a home that is owned by families working in Monroe County with no cost burden to them.

Monroe County also provides critical support of Habitat with the leasing to the Upper and Lower Habitats the ReStore and office facilities they use.

How does Habitat build its homes? Where does the funding come from? What part of the model includes local funding sources?

Local funds do not have a role in the home building phase, except for private donations made to the affiliates. The mortgage payments Habitat receives provide income, although much of this is set aside to purchase back homes using the right of first refusal. The ReStore (thrift) stores that two of the three Habitats operate also provide income. The rest of the funding is from donors, grants and individuals. For example, Publix is a consistent and generous corporate donor to Habitat in all of Florida.

There are two state funds that leverage Habitat building; the Community Contribution Tax Credit Program (CCTCP) and on occasion the Sadowski fund. These sources depend upon the Legislative appropriation process.

The CCTCP funding is run out of the Governor's office from appropriations made by the Legislature. The last two sessions sufficient funds have been appropriated. Local businesses are able to redirect the sales taxes they have already paid to sponsor a home ownership project, adopting the home up to half of the *appraised value of the Improvements*. All three affiliates use this funding as a critical component. It works well, binding local businesses to affordable housing building as long as the money is appropriated.

SHIP funds have been available in the past (Sadowski Fund source) for first time homebuyer assistance, usually up to $25,000. Habitat buyers must meet the SHIP criteria and the assistance can be transferrable. This works to put funds into Habitat when it closes and lowers mortgage payments.

Typically, larger construction is financed with a line of credit using mortgages as collateral. The loan is repaid upon closing and the receipt of the CCTCP credits, which is not available until a Certificate of Occupancy is issued.

The Lower Keys received a $1.75 million grant from the Florida Housing Finance Corporation (Sadowski Funds) in 2009 for its Bayside Landing build of 18 homes. No such funding is available in 2015 as that affiliate prepares to build 10 homes at once.

The Lower Keys affiliate engages in A Brush with Kindness repair program that ranges from an exterior paint job to critical home repairs. These repairs are possible with Tax Increment Funding from the Community Redevelopment Areas in Bahama Village and the Caroline Street Corridor. Since 2014, the SHIP funds Monroe County has have been made available for homeowner repairs for households with qualifying income. CDBG funds have also leveraged more extensive repairs with these funds.

The ability to repair homes for existing homeowners, especially seniors who are income qualified, protects existing affordable housing and allows residents to age in place. SHIP funds are flexible and helpful in this regard. But other sources of funding could leverage the SHIP funds if Monroe County and the municipalities are aware and proactive in addressing it.

The CRA uses property tax revenue to eliminate blight. Monroe County might explore the criteria for the creation of new Redevelopment Areas where appropriate, as an additional tool to protect and create affordable housing. The south side of Stock Island might be a likely candidate.

Suggestions:

- Continue land acquisition for affordable housing using the Land Authority.
- Monroe County could seriously consider a local source of generating funds, like what is in place for the Land Authority, funds that can leverage building.
- The Sadowski Fund must be100 % appropriated ($300 million) every year and Monroe County must receive its fair share.
- Impact fees, fines and other sources that are dedicated to a fund that can issue low interest loans or grants that can leverage other funding.
- Continue to waive impact and building permit fees for affordable housing
- Affordable housing needs density to be effective. Smaller units (600 sq. ft.) are as needed as much as other sizes so a mix of housing types needs consideration. Accessory units can provide income while being affordable, as long as the arrangement is monitored for compliance with the affordable structure.
- Seek to harden and elevate homes before the next storm and in advance of sea level rise. Secure legislative support to amend (PACE) Fla. Statue 163.08, aka Property Assessed Clean Energy, to include the elevating of residential and commercial properties for flood mitigation purposes as an activity that can be financed. Create awareness and consensus among County and City leaders to initiate a PACE program in Monroe. The choice of a lender and an inter-local agreement can follow several other Florida county and municipality examples.
- PACE would provide a leveraging for FEMA programs so our structures can be hardened and our insurance costs reduced. The longer term viability of our housing (and commercial) stock and the affordability of flood and wind insurance depend upon hardening and elevating those structures. This need requires funding. The expense involved dictates a partnership between FEMA and other local funds. PACE is an effective solution state wide. Propose a pilot in the area of state critical concern?